

Message Text

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DEPT PASS COMMERCE FOR A/S WEIL AND R. HALL, AND
DAVID A. PETERSON; LABOR FOR METCALF

E.O. 11652; N/A
TAGS; EIND, OECD
SUBJECT: INDUSTRY COMMITTEE MEETING, APRIL 4-6

REF: PARIS 10131

SUMMARY - INDUSTRY COMMITTEE POSTPONED ELECTIONS OF
CHAIRMAN UNTIL JUNE MEETING BECAUSE IT WAS UNABLE TO
REACH CONSENSUS ON U.S. OR FRG CANDIDATE. HOWEVER, THE
LINE-UP AT PRESENT FAVORS OUR MAN. A NUMBER OF DELE-
GATIONS HAVE ANNOUNCED SUPPORT FOR U.S. CANDIDATE
ASSISTANT SECRETARY WEIL, WHO MADE A HIGHLY FAVORABLE
IMPRESSION DURING HIS APPEARANCE HERE. NO DELEGATIONS
HAVE ANNOUNCED SUPPORT FOR THE FRG'S MADAME BUCHNER-
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SCHOPF. WE UNDERSTAND THE EC WILL DISCUSS ISSUE OF
IC CHAIR AT AN APRIL 20 CAUCUS OF EC PERMREPS. IN OTHER
AREAS, IC AGREED TO:
-- CONTINUE WORK ON FUTURE INDUSTRIAL STRUCTURES AND
INVESTMENT REQUIREMENTS;
-- EXTEND THE MANDATE OF WP-1 (MNE'S) FOR ONE YEAR TO
COMPLETE CURRENT WORK; AND

-- APPROVE IN PRINCIPLE PULP AND PAPER DRAFT TERMS OF REFERENCE FOR NEW MANDATE.

IC ALSO HELD PRELIMINARY DISCUSSION OF 1979 WORK PROGRAM. DOC ASSISTANT SECRETARY WEIL WHO WAS ABLE TO ATTEND THE APRIL 6 SESSION LED USDEL ACCOMPANIED BY DAS SHEPHARD AND DAVID PETERSON. END SUMMARY.

1. ELECTIONS

THE ELECTION OF A NEW CHAIRMAN WAS DEFERRED UNTIL THE NEXT MEETING OF THE INDUSTRY COMMITTEE (SCHEDULED FOR THE LAST WEEK OF JUNE) WHEN IT WILL BE THE FIRST ORDER OF BUSINESS. THE BUREAU AGREED THAT IF THE MATTER WERE INFORMALLY RESOLVED BEFORE THEN BY THE WITHDRAWAL OF ONE OF THE CANDIDATES, THE PRESUMPTIVE CHAIRMAN-ELECT COULD IMMEDIATELY BEGIN WORKING WITH THE SECRETARIAT ON ARRANGEMENTS FOR THE NEXT MEETING. THE BUREAU ALSO AGREED THAT A BUREAU MEETING WOULD BE HELD ON TUESDAY, JUNE 27, AND WOULD BE CHAIRED BY VICE CHAIRMAN LOMBARDI (ITALY).

2. THE LINE-UP AT THIS STAGE FAVORS OUR CANDIDACY.

THE FOLLOWING COUNTRIES HAVE FIRMLY ANNOUNCED THEIR SUPPORT FOR US: AUSTRIA, AUSTRALIA, CANADA, FINLAND, NETHERLANDS, PORTUGAL, SPAIN, SWEDEN, SWITZERLAND, TURKEY, AND THE UK. OF THE REMAINING COUNTRIES, JAPAN WILL SUPPORT THE CONSENSUS CANDIDATE. DENMARK HAS LIMITED OFFICIAL USE

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THOUGHT IT IMPORTANT THAT THE MATTER BE DISCUSSED AT AN EC CAUCUS BEFORE PROCEEDING TO AN ELECTION. NO COUNTRY TO OUR KNOWLEDGE HAS ANNOUNCED SUPPORT FOR THE GERMAN CANDIDACY. BASED ON THIS BALANCE OF FORCES, WE THINK IT PROBABLE THAT GERMANY WILL QUIETLY WITHDRAW THEIR CANDIDACY, BUT MAY WISH TO AWAIT AN EC CAUCUS. THE DANES, WHO WOULD CHAIR SUCH A MEETING, HAVE TOLD US THERE IS TO BE AN EC PERMREP CAUCUS ON APRIL 20. THERE CAN BE NO EC BLOC VOTE ON THIS ISSUE. TWO EC MEMBERS (UK AND THE NETHERLANDS) HAVE UNEQUIVOCALLY TOLD US THEY SUPPORT US AND TWO OTHERS (BELGIUM AND ITALY) SPOKE ORALLY TO WEIL WITH A DEGREE OF WARMTH THAT ONLY JUST STOPPED SHORT OF A COMMITMENT TO OUR SUPPORT. THE IRISH DEL HERE BELIEVES PERSONALLY BUT STRONGLY THAT IRELAND WILL SUPPORT US. FURTHERMORE, THE UK TOLD US THEY WOULD FLATLY OPPOSE A COMMON EC POSITION IN THIS MATTER.

3. THE MISUNDERSTANDING WITH THE GERMAN DEPUTY PERMREP REPORTED REFTEL PARA THREE MAY NOT HAVE BEEN CLEARED UP. IN CONVERSATIONS WITH THIS MISSION, GOLDSCHMIDT STUCK TO HIS VERSION OF THE FACTS, ALTHOUGH NO OTHER

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DELEGATION CONFIRMS ANY GERMAN APPROACH ON THE CHAIR-
MANSHIP BEFORE U.S. SUBMITTED WEIL CANDIDACY. HE WENT
SO FAR AS TO SEND A LETTER TO AUSTRALIAN CHAIRMAN
WOODS ON APRIL 4 ANNOUNCING FRAU BUCHNER-SCHOPF'S
CANDIDACY, BASED ON THE PROPOSAL ALLEGEDLY MADE BY
AUSTRALIA THAT SHE TAKE THE CHAIR. WOODS REJECTED
THE LETTER WHICH HE SAID WAS BASED ON A MISSTATEMENT
OF THE FACTS SINCE AUSTRALIA HAD NEITHER PROPOSED NOR
INDICATED SUPPORT FOR BUCHNER-SCHOPF CANDIDACY. IN
CONVERSATION WITH FRG AMBASSADOR EMMEL, AMBASSADOR
SALZMAN HAS TAKEN THE LINE THAT THERE WAS FAILURE OF
COMMUNICATIONS AT LOWER LEVEL WHICH SHOULD NOT BE
ALLOWED TO AFFECT THE RELATIONS BETWEEN OUR TWO
MISSIONS HERE, TO WHICH EMMEL AGREED.

4. STATEMENT BY SECRETARIAT ON CURRENT DEVELOPMENTS IN
THE ORGANIZATION.

THE SECRETARIAT (MARRIS) REPORTED ON CURRENT DEVELOP-
MENTS IN ECONOMIC ADJUSTMENT NOTING THAT "CONCERTED
EFFORT" ON BOTH MACRO AND SECTORAL LEVELS IS NEEDED TO
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IMPROVE THE RATHER GLOOMY ECONOMIC PROSPECT. SOME IMPROVEMENT IN US ECONOMIC GROWTH WAS NOTED FOR 1977 AS A POSITIVE DEVELOPMENT. HOWEVER, CONTINUING HIGH RATES OF INFLATION AND DETERIORATION OF THE DOLLAR WERE SINGLE-ED OUT AS "DISQUIETING SIGNS" ON ECONOMIC HORIZON. HE NOTED THAT EFFORTS BY GOVERNMENTS TO GET ON A SUSTAINED ECONOMIC PATH DO NOT SEEM TO BE HAVING ADEQUATE EFFECT AND THIS SITUATION IS PROMPTING CERTAIN DEFENSIVE ACTIONS. IN MARRIS' VIEW, THE MAJOR PREOCCUPATION WITH THE FORMS SUCH DEFENSIVE ACTION COULD TAKE COULD SHIFT SOMEWHAT FROM TRADE POLICY AND EFFORTS TO AVOID PROTECTIONISM TO INCREASED CONCERN FOR SECTORAL INDUSTRIAL POLICY AND REGIONAL POLICY TOGETHER WITH SHORT-TERM POLICY ADJUSTMENTS AIMED AT EMPLOYMENT CREATION AND RETENTION.

5. THE SECRETARIAT SUGGESTED 5 PLANKS IN A COMPREHENSIVE AND INTERRELATED PROGRAM TO DEAL WITH THE DECLINING ECONOMIC SITUATION: (A) DOMESTIC POLICIES TO CONTROL INFLATION; (B) ADOPTION OF SENSIBLE ENERGY POLICIES (THE U.S. BALANCE OF PAYMENTS DEFICIT WAS CITED WITH CONCERN AS WERE THE "FLAGRANT DELAYS BY THE U.S." IN ADOPTING AN ENERGY POLICY); (C) A CONSTELLATION OF ASPECTS INCLUDING BALANCE OF PAYMENTS, GROWTH STIMULATION, OPENING THE JAPANESE ECONOMY TO IMPORTS, AND EXCHANGE MARKET INTERVENTIONS BY CENTRAL BANKS; (D) STRENGTHENING OF DEFENSES AGAINST PROTECTIONISM AND ENCOURAGEMENT OF MARKET ORIENTED ECONOMIES; AND (E) STIMULATING DEVELOPMENT ASSISTANCE TO LDC'S. TWO SECRETARIAT PAPERS WILL BE DISTRIBUTED SHORTLY: A) IMPLICATIONS OF THE EMPLOYMENT PROBLEM (DSTI/IND/78.06) AND B) REGIONAL ECONOMIC DEVELOPMENT (DSTI/IND/78.2).

6. FUTURE INDUSTRIAL STRUCTURES.
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THE COMMITTEE EXPRESSED STRONG SUPPORT FOR CONTINUATION OF THE WORK IN THIS AREA AND APPROVED NEW DRAFT MANDATE
E
FOR TWO YEARS. THE FRENCH DELEGATE AGREED WITH THE U.S. INTERVENTION SUGGESTING THAT WORK ON INDUSTRIAL INVESTMENT REQUIREMENTS BE KEPT SEPARATE. TU.
GERMANY CONTINUED TO CALL FOR A MERGER OF THE WORK. IT WAS ALSO AGREED THAT HISTORICAL DATA WOULD BE SEPARATED BY THE SECRETARIAT FOR CIRCULATION, BUT THAT THE REPORT ON THE DEVELOPMENT OF INDUSTRIAL STRUCTURES WOULD NOT BE DERESTRICTED. U.S. DEL WAS APPROACHED BY

SWEDISH DELEGATION SOLICITING SUPPORT FOR THEIR DELEGATE (RIBRANT) TO ASSUME FIS CHAIRMANSHIP UPON THE RETIREMENT OF M. NANCY (FRANCE). U.S. DEL PROMISED TO CONSULT ON THIS REQUEST WITH WASHINGTON.

7. EMPLOYMENT PROBLEMS AND INDUSTRIAL POLICY.

MANPOWER AND SOCIAL AFFAIRS DIRECTORATE DEPUTY DIRECTOR DYMOND REPORTED THAT MSAC HAD ALREADY DEVELOPED LARGE BODY OF LITERATURE ON EMPLOYMENT PROBLEMS, NOTING THAT MUCH OF THIS HAD BEEN PREPARED FOR DECEMBER, 1977 YOUTH UNEMPLOYMENT CONFERENCE. DYMOND SAID PAPERS ADDRESSED SUCH ISSUES AS LABOR VERSUS CAPITAL INTENSIVE INVEST-
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MENTS, WAGE COSTS AND PRODUCTIVITY AND IMPLICATIONS FOR BOTH RESULTING FROM INDUSTRIAL DEVELOPMENT IN THIRD WORLD. BECKLER ADDED THAT WHILE MSAC IS LOOKING AT EMPLOYMENT PROBLEMS FROM MANPOWER POLICY VIEWPOINT, AN INDUSTRIAL POLICY PERSPECTIVE IS ESSENTIAL. THUS, BECKER SAID IC SHOULD RELATE ITS WORK TO THAT OF OTHER RELEVANT OECD ACTIVITIES NOTING THAT SUCH QUESTIONS MUST BE ADDRESSED AS WHETHER JOBLESS GROWTH IS INEVITA-

BLE AND HOW MUCH SERVICE-SECTOR GROWTH CAN BE EXPECTED. IN THIS CONTEXT BECKLER SUGGESTED DESIRABILITY OF A JOINT WORKING GROUP OF NATIONAL EXPERTS TO, INTER-ALIA, IDENTIFY INTERNATIONAL IMPLICATIONS OF STRUCTURAL ADJUSTMENT POLICIES WHICH COULD EVENTUALLY BE REFERRED TO A MINISTERIAL COUNCIL. THERE WAS NO DISCUSSION OF THIS SUGGESTION.

8. INVESTMENT REQUIREMENTS.

RESPONDING TO FRENCH DEL QUESTION ABOUT REPORTS' LIMITED OFFICIAL USE

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CONCLUSIONS, SECRETARIAT (DELELIENNE) SAID CONCLUSIONS ARE ONLY PRELIMINARY. THEY WILL BE DISCUSSED BY WORK-

,
ING GROUP AND, SUBSEQUENTLY, BY THE IC. ROSS (SECRETARIAT) ADDED THAT WP2 OF EPC IS LOOKING AT AGGREGATE INVESTMENTS IN CONTEXT OF EPC GROWTH SCENARIO. UK DEL INQUIRED IF THERE WERE OVERLAP BETWEEN THE TWO AND SUGGESTED THAT

A) IC'S INVESTMENT PROJECT BE SEPARATED OUT OF FUTURE INDUSTRIAL STRUCTURES, AND

B) IC FOCUS SHOULD BE ON INVESTMENT REQUIREMENTS OF CAPITAL INTENSIVE INDUSTRIES.

(RE OVERLAP, ROSS REITERATED POINT THAT WP2 WORK WAS HIGHLY AGGREGATED AS OPPOSED TO IC'S SECTORAL ANALYSES.)

9. PROGRESS REPORT.

A) INDUSTRIALIZATION PROCESS IN DEVELOPING COUNTRIES. MEMBER COUNTRIES DID NOT COMMENT ON THIS SUBJECT DESPITE INTERESTING INTRODUCTORY STATEMENT BY BECKLER. BECKLER OBSERVED THAT IMPLICATIONS FOR INDUSTRY IN MEMBER COUNTRIES RESULTING FROM LDC INDUSTRIALIZATION COULD BE FAR-REACHING IN TERMS OF INDUSTRIAL RELOCATION, TRADE, INTERNATIONAL DIVISION OF LABOR, TECHNOLOGY TRANSFER, ETC.

B) TECHNOLOGY AND STRUCTURAL ADAPTATION. BECKLER OBSERVED THAT GOVERNMENTAL REGULATION OF INDUSTRY POSES AN INCREASING THREAT TO THE ABILITY VIABILITY AND COMPETITIVENESS OF CERTAIN SECTORS. HE REFERRED SPECIFICALLY TO POLLUTION ABATEMENT REQUIREMENTS IMPOSED ON FOUNDRIES AND PETRO-CHEMICAL INDUSTRY. AFTER NOTING LONG LEAD-TIMES, HIGHER CAPITAL REQUIREMENTS AND INCREASING RISKS FOR LIMITED OFFICIAL USE

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SUCH INDUSTRIES UNDER SLOW GROWTH SCENARIO, HE ASKED ABOUT IMPLICATIONS FOR INDUSTRIAL POLICY. GOVERNMENTS, HE SAID, MIGHT ADDRESS SUCH ISSUES AS GOVERNMENTAL PROCUREMENT POLICIES, SUBSIDIES TO NEW INDUSTRIES/ PRODUCTS, R & D AND GAMUT OF GOVERNMENTAL INSTRUMENTS TO ASSIST STRUCTURAL ADAPTATION PROCESS. AS WITH POINT A) ABOVE, IC MEMBERS DID NOT MAKE SUBSTANTIVE COMMENTS.

10. MULTI-NATIONAL ENTERPRISES (MNES).

U.S. DEL SAID WP-1 COULD BE GRANTED ONE YEAR'S EXTENSION TO COMPLETE CURRENT WORK, AFTER WHICH IC SHOULD TAKE "HARD LOOK" AT POSSIBLE FUTURE UNDERTAKINGS. U.S. DEL ALSO OBJECTED TO PROPOSED DERESTRICTION OF REPORT "PENETRATION OF MNES AND INDUSTRIAL CONCENTRATION" (DSTI/IND/1/78.1). MOST DELS SUPPORTED U.S. POSITION ON MANDATE ON BASIS THAT THIS WORK HAS LOW PRIORITY VIS-A-VIS LIMITED SECRETARIAT RESOURCES. AUSTRALIA AND BELGIUM EXPRESSED SOME INTEREST IN POSSIBLE WORK ON INVESTMENT FLOWS FROM DEVELOPED TO DEVELOPING COUNTRIES. ONLY SWEDEN AND PORTUGAL ADVOCATED MORE WORK FOR WP-1.

11. WP6 ON REGIONAL POLICIES

WP6 CHAIRMAN HOWARD (UK) INTRODUCED THIS ITEM AND GAVE HISTORICAL ACCOUNT OF WP'S ACTIVITIES. HE ALSO WENT ON AT GREAT LENGTH TO REPORT ON RENEWED U.S. PARTICIPATION IN ITS WORK AFTER SEVERAL YEARS' ABSENCE AND SELECTION OF DOC ASSISTANT SECRETARY ROBERT HALL AS VICE-CHAIRMAN AT WP'S LAST MEETING. HOWARD MENTIONED POSSIBLE U.S. INVITATION TO WP TO VISIT U.S. AND MENTIONED DRAMATIC POPULATION SHIFTS IN U.S. FROM

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NORTHEAST TO "SUN BELT" WITH, AMONG OTHER THINGS
SOCIAL AND ECONOMIC IMPLICATIONS FOR DECLINING CENTER TI
CITIES IN NORTHEAST. HE ALSO DISCUSSED PROBLEMS UNCOV-
ERED IN RECENT SURVEY OF PORTUGAL'S REGIONAL PROGRAMS
WHICH ARE BEING BUFFETED BY SUCH NEW PROBLEMS AS WANING
INTEREST IN REGIONAL AS OPPOSED TO NATIONAL ECONOMIC
POLICIES, REVERSE MIGRATION, DECREASING PUBLIC EXPENDI-
TURES, BALANCE OF PAYMENTS, INCREASING UNEMPLOYMENT,
DECLINING TOURISM AND INDUSTRIAL MOBILITY, STAGNANT
AGRICULTURAL PRODUCTION AND SHIFTING DEMOGRAPHIC TRENDS.

12. RE PROPOSAL TO DERESTRICT REPORT ON NEW TRENDS IN
REGIONAL DEVELOPMENT POLICY (INDWP6(78)2) SEVERAL DELS
MADE POINT THAT WHILE REPORT IS INFORMATIVE, IT RAISES
TOO MANY UNANSWERED QUESTIONS AND, THEREFORE, IT SHOULD
NOT BE DERESTRICTED. FRENCH DEL EMBELLISHED ON THESE
ARGUMENTS BY ADDING REPORT WAS SCARCE ON POLICY RE-
COMMENTATIONS. FOLLOWING APPEAL BY BECKLER THAT
EXECUTIVE COMMITTEE WANTS TO BE INFORMED OF SUBSTANCE
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AS WELL AS POLICY OPTIONS ON ALL ISSUES, US DEL SAID
ALL INTERESTED OECD BODIES INCLUDING COUNCIL SHOULD BE
INFORMED. AUSTRALIAN DEL SAID REGIONAL POLICIES ARE TOO
FREQUENTLY DESIGNED TO PROP-UP WEAK INDUSTRIES WITH
DISTORTING EFFECTS AND, THEREFORE, URGED CAUTION IN THEIR
DESIGN AND IMPLEMENTATION. IC CONSENSUS DEVELOPED TO
DEFER DECISION ON DERESTRICTION AND REFER REPORT
BACK TO WP6.

13. PULP AND PAPER
IC APPROVED IN PRINCIPLE DRAFT TERMS OF REFERENCE
(DSTI/IND/PP(78)03) FOR NEW WP MANDATE, AND INSTRUCTED
WP TO MODIFY SAME BEFORE JUNE IC MEETING WHEN DISCUSSION
OF THIS ITEM WILL BE RESUMED.

14. 1979 WORK PROGRAM
IN HIS INITIAL INDUSTRY COMMITTEE STATEMENT, ASSISTANT
SECRETARY WEIL EMPHASIZED THAT MICRO-ECONOMIC AND SECTO-
RAL ANALYSES WOULD BE CRUCIAL TO UNDERSTANDING AND SOLV-

ING CURRENT AND FUTURE ECONOMIC PROBLEMS. WITH SLOWER GROWTH RATES IN PROSPECT AS WELL AS DANGER OF PROTECTION-IST RESPONSES TO TRADE PRESSURES, HE UNDERScoreD IMPOR-TANCE OF ADJUSTMENT MECHANISMS. HE ADDED THAT SINCE 1979 WORK PROGRAM APPEARS AIMED AT WORLD'S MORE IMPORTANT PROBLEMS,THE UNITED STATES HAS DECIDED TO UPGRADE ITS INDUSTRY COMMITTEE REPRESENTATION WITH THE ASSIGNMENT OF DEPUTY ASSISTANT SECRETARY SHEPHARD TO THESE MATTERS AND WILL DEVOTE RESOURCES AND ATTEN-TION TO INDUSTRY COMMITTEE CONCERNS. ASSISTANT SECRETARY WEIL CONCLUDED THAT THE U.S. HAS A LOT TO LEARN, STATING WE HAVE NO ANSWERS BUT WE DO HAVE LOTS OF QUESTIONS.

15. IN GENERAL REVIEW OF 1979 WORK PROGRAM MOST DELE-LIMITED OFFICIAL USE

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GATIONS RECOGNIZED PRELIMINARY NATURE OF THE EXERCISE AND THAT A MORE EXTENSIVE DEBATE WOULD BE HELD IN JUNE. STRONG SUPPORT WAS EXPRESSED FOR SECTORAL WORK BY GERMANY, SWEDEN AND AUSTRALIA. STRONG SUPPORT FOR WORK ON ADJUSTMENT ASPECTS WAS EXPRESSED BY AUSTRALIA, CANADA, DENMARK, JAPAN, ITALY, AND SWITZER-LAND. JAPAN SUGGESTED A NEED TO REVIEW WAYS IN WHICH INDUSTRY COMMITTEE WORK IS STRUCTURED AND HOW THE COMMITTEE COULD CONSIDER SUBSTANTIVE ASPECTS IN MORE DETAIL. FRANCE SUGGESTED THAT THIS COMMITTEE TAKE TRADE ASPECTS INTO FULLER ACCOUNT AND AGAIN EMPHASIZED IMPORTANCE OF KEEPING FIS AND INVESTMENT WORK SEPARATE. SALZMAN

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